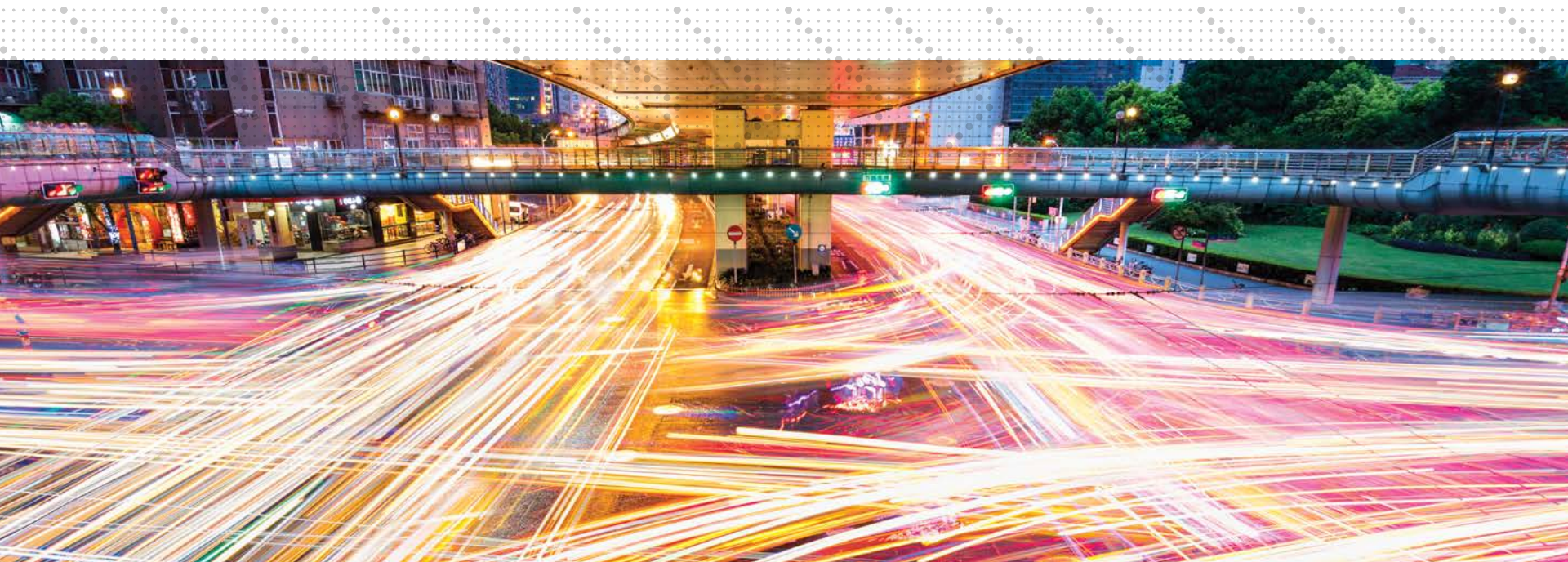


Fully paid lending program readiness checklist – multi-jurisdictional focus



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CLIENT ONBOARDING

	No Plans	In Progress			Ready	Comments
		Business Requirements	Gap Analysis	Implementation Plan		
Client Agreements						
Business objectives outlined, including exclusions for positions or jurisdictional participation	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
KYC/Investment Risk Profile Realignment in executed documents, in all applicable jurisdictions, available for audit review	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Disclaimers: “buyer beware” limitations regarding jurisdictional investment protection exclusions/limitations	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Title Transfer Collateral Arrangements (TTCA) specifying rights and entitlements of collateral, exclusions/ limitations, including any corporate action or entitlement or impacts that might be triggered by FPL in various jurisdictions	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Specific terms and conditions: New and/or modified specifying metrics for client participation in lending program and criteria for distribution of earnings from fees and rebates	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	

	No Plans	In Progress			Ready	Comments
		Business Requirements	Gap Analysis	Implementation Plan		
Work flows and paper trail						
Ensure lending program being administered/ supervised across all applicable legal entities and locally specific systems in accordance with client understanding/agreements in a fair and equitable manner to all participating customers	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Have reports and processes/proof to demonstrate to regulators equitable treatment of clients in line with reporting with local reg needs	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Account structure and set up						
Obtain Legal Entity Identifier (LEI) for SFTR reporting	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Client classification (professional, retail, etc.) for reporting under MiFID II	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Establish data linkage or cross-reference across client onboarding platforms for improved data quality, and ability to track both clients in programs and securities available for lending	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	

OPERATIONS

	No Plans	In Progress			Ready	Comments
		Business Requirements	Gap Analysis	Implementation Plan		
Booking Model and Account Setup						
Ensure each client has account(s) for proper recording and reporting of securities on loan to the firm; and collateral posted by the firm according to governing regulation of customer jurisdiction	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Where multiple systems are used across jurisdictions for account set-up/booking, establish an integrated framework that leverages consistent reference data across them to achieve a cohesive view	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Collateralization Rules, Processes and Controls						
Ensure applicable margin rules understood and systems/processes configured for adherence.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Collateral exposure and required collateral value must be calculated and reported	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Collateral must be provided and segregated according to program and jurisdictional requirements	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Daily and intraday mark-to-the-market process in place to calculate required collateral and post collateral to third-party custodian	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	

	No Plans	In Progress			Ready	Comments
		Business Requirements	Gap Analysis	Implementation Plan		
Intra-day Monitoring						
Capability to review securities available for lending/ out on loan/available for return, in need of recall, etc., across client and entire book of business for a firm, regardless of the use of disparate securities lending or clearing and settlement systems in different locations/jurisdictions	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Determine best way to follow the sun for book of business given complexities of running real-time systems for desks and batch systems for accounting/ back office reconciliation	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Street-Side Settlements						
Transfer customer securities from local custody to lending central securities depository (CSD, CREST, Euroclear, etc.) for street-side delivery in the relevant market of execution	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	

BOOKS AND RECORDS

	No Plans	In Progress			Ready	Comments
		Business Requirements	Gap Analysis	Implementation Plan		
Statements and Portals						
All statements must be modified to disclose bankruptcy protection coverage limitations under applicable customer jurisdiction.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Statement and confirm presentation may vary between jurisdictions for FPL depending on reg approvals for client communications.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Customer web portals, etc., must be updated to reflect securities on loan, collateral posted, fees earned and posted; this may require integrating feeds/ data sources for positions, collateral, fees, etc.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	



	No Plans	In Progress			Ready	Comments
		Business Requirements	Gap Analysis	Implementation Plan		
Booking Model						
Securities borrowed from customers must be recorded in securities lending systems and stock record/general ledger so that:						
Normal trading leverage is neither increased nor decreased (i.e., no impact on credit extended to customer under margin rules);	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Encumbrances related to proxy, dividends, payments-in-lieu of dividend disclosed and managed (similar to margin securities on loan);	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Tax and other reporting of fees/rebates earned and posted to customer account is captured, and taxes are reported in each jurisdiction via locally mandated forms and processes.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Annual performance reports must be amended to present consolidated fees/charges for each client for one-view statements of all costs and revenues.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	

COMPLIANCE

	No Plans	In Progress			Ready	Comments
		Business Requirements	Gap Analysis	Implementation Plan		
Compliance must update their pre-/post-trade compliance end-to-end procedures on all aspects of the program as it impacts each client and the firm's overall regulatory reporting in all jurisdictions in scope for the program. The audit trail should demonstrate transparent and robust reporting, account/collateral segregation, record-keeping and other related criteria to pass regulatory examination of the program for each applicable jurisdiction.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	

REPORTING

	No Plans	In Progress			Ready	Comments
		Business Requirements	Gap Analysis	Implementation Plan		
End-of-day management reports on mark-to-market for each client loan to determine cash collateral required to segregate or desegregate next day, or to post to collateral custodian in accordance with program governance	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	

AUDIT AND EXAMINATION SCOPE

	No Plans	In Progress			Ready	Comments
		Business Requirements	Gap Analysis	Implementation Plan		
Be prepared to submit the program end-to-end systems and work flows (including the client, dealer and the street components of program interactions) and procedures to regulatory bodies for review, comment and conditional approvals to move forward.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	



KEY PROCESSES IMPACTED BY FPL PROGRAM

	No Plans	In Progress			Ready	Comments
		Business Requirements	Gap Analysis	Implementation Plan		
Rule 15c3-3 – Customer Securities Segregation. Securities loaned by customer to firm no longer protected under Rule 15c3-3	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Customer Securities Segregation and Protection under local customer jurisdiction	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
Margin calculation and extension of credit to customer for normal trading activities	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Local market securities lending reporting rules (e.g., SFTR)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Securities settlements across various CSDs to facilitate street-side delivery of securities; receipt of collateral	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Counterparty credit and risk parameters; capital and collateral segregation	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Entitlements – Proxy, dividends, payments in lieu of dividend, voting rights and tax triggers from income of securities on loan to the beneficial owner must be examined by jurisdiction and outlined for clients in advance of entering in FPL for some countries.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Tax calculations – Potential tax consequences for dividend/income treatment triggered by FPL and AML reporting for cross-jurisdictional/cross-currency revenue need to be addressed up front by the firm and participating clients.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	

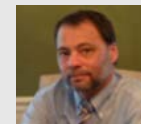
FULLY PAID LENDING – HIGH LEVEL BUSINESS PROCESS WORKFLOW:



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